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20 FEB 1963

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MEMORANDUM FOR: Deputy Comptroller

SUBJECT : Organizational Location for Business-Type Automatic Data Processing in Government Agencies

1. As we agreed, in order to obtain information concerning the usual organizational arrangement for business-type ADPD operations in Government agencies, as well as the attitude of GAO concerning such organizational arrangements, this subject was discussed briefly with Mr. Edward Mahoney of the Accounting and Auditing Staff, General Accounting Office.
2. After outlining to Mr. Mahoney the general organizational arrangement existing in the Agency related to this matter, Mr. Mahoney advised that there is no hard and fast policy which is firmly applied or advocated by GAO. Instead, depending upon circumstances applicable in each situation, a separate determination is made as to the most effective organizational arrangement for ADP business-type activities. In general, when the ADP operations are primarily of a service type, GAO is less concerned as to the supervisory location within an agency, than it is when the preponderance of the activity being performed by the unit relates to a specific function. When the installation is designed to provide management information for a particular segment of an agency, such as Logistics, it is customary to hold the installation within the operating element serviced. When financial information is the primary concern of the ADP installation, it generally is advocated that the organizational element responsible for finance matters control the machine installation because surrender of supervision might result in surrender of control over priorities to be established for the ADP installation.
3. Mr. Mahoney made a firm point of the fact that if he had responsibility for financial operations performed on ADP installations, he would make sure, before agreeing to a centralization of ADP functions outside of his supervisory control, that he had an ironclad agreement that financial activities, such as payrolls, allotment controls, financial reports, etc., would be given the essential priority they merit.

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4. In this connection, also, it was learned that in the Federal Aviation Agency, the recently established ADFD installation which performs primarily accounting and financial work for the Accounting Division, was set up as a sub-component under Administrative Services Division which Division is at the same organizational level as the Accounting Division, both of which are within the Office of Management Services under the Deputy Administrator for Administration. This installation performs payroll, fund accounting, and cost accounting functions and is currently being programmed to include property and general ledger accounting. Up to this time, the Accounting Division has had "pretty good" experience with respect to this installation; however, this is in part attributed to the fact that the ADP installation does little else than accounting and finance work.

5. Mr. Mahoney suggested that this problem be discussed informally with Mr. Gammon of the Office of Secretary of Defense who is participating in a comprehensive study of ADP installations in the Defense Department. Accordingly, I called Mr. Gammon to get a reaction from him concerning their thinking as to the appropriate organizational location for a business-type ADP installation. Mr. Gammon also indicated that a variety of organizational arrangements are encountered and that the circumstances applicable in each operational situation should dictate the particular arrangement to be established. Mr. Gammon advised, however, that a twelve-man team which made a survey of more than fifty military installations world-wide had reached a firm conclusion, that the most effective administration is obtained when the ADP activity is established as in independent office, directly responsible to the commanding officer of the installation. He attributes the improved administration to the fact that final determinations as to work priorities, whenever conflicts arise, have to be resolved by the commanding officer and that this can be accomplished best when the ADP installation is directly under this officer. The Department of Defense is continuing its study and Mr. Gammon offered to call me back at a later date to give me a further reading on the problem here discussed after they have reached a firmer viewpoint. The team has prepared an interim report, which has not been circulated outside the Department of Defense, titled RAMMS (Responsive Automated Materiel Management Survey). It is recognized that the proposal now being considered by you is not analogous to placing the ADP activity directly under the commanding officer in that the ADP Staff is responsible to the DD/S while the ADP activity would perform much of its work for the Office of the Comptroller which is not a part of the Office of the DD/S.

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Chief, Technical Accounting Staff

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